

PaulHastings
ATTORNEYS

EX PARTE OR LATE FILED

Paul, Hastings, Janofsky & Walker LLP
875 15th Street, N.W. • Washington, DC 20005
telephone 202 551 1700 • facsimile 202 551 1705 • www.paulhastings.com

DOCKET FILE COPY ORIGINAL

RECEIVED ORIGINAL

FEB 10 2006

Federal Communications Commission
Office of Secretary

57739-000013

(202) 551-1725
carlnorthrop@paulhastings.com

February 10, 2006

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Advanced Wireless Services Auction Public Notice (AU Docket No. 06-30) and
Designated Entity Further Notice of Proposed Rulemaking (WT Docket No. 05-211)

Dear Ms. Dortch:

On February 9, 2006, Mark Stachiw, Senior Vice President, General Counsel and Secretary of MetroPCS Communications, Inc. ("MetroPCS"), accompanied by Carl Northrop of Paul, Hastings, Janofsky & Walker LLP, met with the Commission staff members shown below as receiving courtesy copies of this letter to discuss the above-referenced proceeding.

MetroPCS made an oral presentation as summarized in the attached handout, copies of which were distributed at the meeting.

Kindly refer any questions in connection with this letter to the undersigned.

Respectfully submitted,


Carl W. Northrop
of PAUL, HASTINGS, JANOFSKY & WALKER LLP

cc: Margaret Wiener
Jim Schlichting
Brian Carter
Martha Stancill
Rita Cookmeyer
Scott Mackoul
Peter Corea
Sandra Danner
Gary Michaels
Kelly Quinn

vs. # Copies rec'd 054
1st ABCDE

Atlanta
Beijing
Brussels
Hong Kong
London
Los Angeles
Milan
New York
Orange County
Palo Alto
Paris
San Diego
San Francisco
Shanghai
Stamford
Tokyo
Washington, DC

**Advanced Wireless Services Auction Public Notice
And
Designated Entity Further Notice of Proposed Rulemaking**

Presentation of:

**MetroPCS Communications, Inc.
8144 Walnut Hill Lane
Suite 800
Dallas, TX 75231**

Overview

- **MetroPCS currently plans to participate either directly or by an investment in a designated entity in the upcoming auction of Advanced Wireless Services (AWS) spectrum.**
- **The AWS auction is the most significant spectrum auction in a very long time and the Commission should not risk making major rule changes that could create problems or have unintended consequences.**
 - **Any changes that would require applicants to participate in multiple concurrent auctions or combinatorial bidding create substantial uncertainty and could deter participation by smaller bidders.**
 - **Blind bidding creates problems without yielding tangible benefits.**
- **The procedures in prior auctions of PCS spectrum worked well and there is no compelling reason to change them.**
- **MetroPCS supports the changes to the designated entity rules proposed by the Commission in the FNPRM.**

Overview (Continued)

- **MetroPCS urges the Commission to finalize the applicable auction and designated entity rules before applications are filed to enable carriers like MetroPCS to complete a business plan with all relevant information and to raise capital.**

No Major Changes to Prior Auction Procedures are Warranted

- **The Commission has conducted many successful PCS spectrum auctions.**
 - **The auction rules generally have worked well and resulted in auctions where spectrum was awarded to bidders who valued it most.**
 - **Claims of collusion or other anti-competitive behavior in prior auctions have been rare.**
 - **The AWS Auction is the most significant wireless auction the Commission will hold and it cannot afford to change rules which have worked well.**

BOTTOM LINE: If it isn't broken; don't try to fix it.

The Proposal to Eliminate Bidder Information Should Not Be Adopted

- **The identity and number of other bidders and bids is critical information in evaluating the value of spectrum.**
- **The Commission previously has found that transparency during the auction process promotes the public interest and nothing has changed that would support a different outcome.**
- **The current rules allow bidders to act as third party enforcers and alert the Commission if collusive behavior appears to be occurring.**
- **Financial Investors have a need for ongoing access to bidding information.**
 - **Limiting the auction information may chill the ability of smaller carriers to raise capital to participate in the auction.**
 - **Full transparency allows the financial markets to determine the effect of bids on bidders in which they have an investment.**

The Proposal to Eliminate Bidder Information Should Not Be Adopted
(Continued)

- Bidder identity information provides a check on speculative bidding.
 - Knowing whether a bid has been placed by a well established carrier rather than a bidder with limited experience will reduce the risk of a run away auction.
 - Well established carriers are market leaders in valuing spectrum making comparable bids by smaller carriers financable.

The Proposal to Eliminate Bidder Information Should Not Be Adopted
(Continued)

- **The one previous auction where the Commission limited bidding information shows that transparency does not lead to collusive behavior or reduced prices.**
 - Auction No. 1 held in July 1994 (nationwide narrowband PCS) limited information available to bidders to just bidder number (not tied to a bidder) and bid amount.
 - Auction No. 3 held in October 1994 (regional narrowband PCS) for identical spectrum in the same industry had complete transparency.
 - The prices for a nationwide license composed of regional licenses in the second Auction No. 3 were over 10% higher than those in Auction No. 1 where information was limited.
 - Given that these two auctions were for identical spectrum in the same industry within the same time frame, it is good evidence that transparency does not lead to collusive behavior resulting in lower prices.
 - It also demonstrates that combinatorial bidding may not result in higher prices.
- **There continue to be technical compatibility issues that make bidder information helpful to achieving rational public interest outcomes.**

MetroPCS Opposes the Use of Combinatorial Bidding

- **Combinatorial bidding introduces substantial complexity into the auction process and could have unintended consequences particularly for smaller carriers.**
 - **Combinatorial bidding could foreclose small bidders interested in only one area from being able to purchase it even if they value it most.**
- **The Regional Economic Area Group (REAG) licenses are not appropriate for combinatorial bidding.**
- **The comments in the reconsideration phase of the AWS bandplan proceeding showed no strong support for nationwide licenses.**
 - **Prior regional auctions (e.g. regional narrowband PCS) demonstrate that applicants can successfully assemble nationwide channels without combinatorial bidding.**

MetroPCS Opposes the Use of Two Simultaneous Auctions

- **Running two concurrent auctions would chill participation by small bidders.**
 - **Considerable expertise would be required to participate in two auctions and to maintain eligibility in both.**
 - **Bidders would have to double their upfront payment to participate meaningfully in both auctions which will deter participation by smaller businesses.**
 - **Considerable personnel resources would be required to monitor and analyze bids and bidding strategy.**
- **Participating in two auctions creates serious risk that bidders could end up purchasing duplicate (e.g., unwanted) spectrum.**
 - **Bidders could be the high bidder in both auctions on a geographic area and only have interest or money for one license.**
 - **Bidders may end up withdrawing bids which could prolong auctions.**

MetroPCS Supports the Proposed Changes to the DE Program

- **MetroPCS Applauds the FCC for taking steps to make changes to the DE program before conducting the AWS auction.**
 - **Having decided that changes are appropriate it is in the public interest to have the new rules apply to this major auction.**
- **MetroPCS agrees with the proposed changes to the DE rules set forth in the notice.**
 - **The exclusion of the large national carriers from participating with DEs in region is justified because such entities do not constitute new entrants.**
 - **The size test proposed by the Commission draws a rational distinction between the nationwide carriers and the non-nationwide carriers.**

Conclusion

- **It is essential to carriers such as MetroPCS that the auction procedures and DE rule changes be settled before MetroPCS must finalize its AWS plans and make the determination whether to invest in a Designated Entity in the AWS Auction.**
 - **MetroPCS will need to raise money in the capital markets to participate in the AWS Auction and uncertainty in the auction rules will inhibit its ability to do so.**